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Annual Financial Report 1986

**Non-Teacher School Employee
Retirement System of Missouri**

Board of Trustees

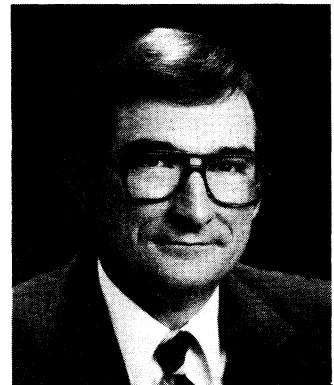
June 30, 1986



Richard E. Moore
Chairman



Edwin D. Bihr



Bill M. Brent



H. Kenneth Kirchner



Arthur L. Mallory
Ex officio



THE NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

DAVID W. MUSTOE
EXECUTIVE SECRETARY

ROBERT W. RUST
ADMINISTRATOR

JOEL M. WALTERS
ASST. EXECUTIVE SECRETARY

To the Membership:

The year 1985-86 brought important improvements in the Non-Teacher School Employee Retirement System program:

(1) The formula factor for computing service retirement benefits was increased from $1\frac{1}{8}\%$ of final average salary to $1\frac{1}{4}\%$. This change provided a more than 11% increase in benefits for future retirees;

(2) Special five-year vesting was enacted for any person changing from a school position covered by the Public School Retirement System to one under the Non-Teacher System, or vice versa. Previously, a minimum of 120 months of service was required for vesting under any condition. While that 120-month vesting requirement remains for any Non-Teacher member leaving school employment, one with at least five years of credit in either system can now draw benefits at retirement from both systems.

Invested assets of the system returned a weighted income of 10.75% for the year. This represented a slight decrease from the preceding year, and was due both to maturation of the system and descending interest rates of recent times. The assets of the system, measured at cost or amortized cost, grew from a 1985 figure of \$190,451,000 to \$222,361,000 — an increase of over 16%. Benefit payments increased by more than 20% — from \$4,961,902 in 1984-85 to \$5,667,450 in 1985-86.

You are urged to review the financial and statistical data in this report. Your retirement system represents a significant investment and a potentially important part of your financial security in your retirement years. We hope you will read and learn about the system.

David W. Mustoe
Executive Secretary

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701 W. Main Street

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P.O. Box 268, Jefferson City, MO 65102

TELEPHONE
314-751-3414

Financial Statements

To the Board of Trustees
of The Public School Retirement
System of Missouri

We have examined the accompanying statements of net assets available for benefits of The Non-Teacher School Employee Retirement System of Missouri as of June 30, 1986 and 1985, and the related statements of changes in net assets available for benefits for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The Non-Teacher School Employee Retirement System of Missouri at June 30, 1986 and 1985, and the changes in net assets available for plan benefits for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

The accompanying information shown on pages 9 to 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our examinations of the basic financial statements were made for the purpose of forming an opinion on those statements taken as a whole. The accompanying financial information has been subjected to the auditing procedures applied in the examination of the basic financial statements. In our opinion, the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams-Keepers

October 21, 1986

Statements of Financial Position

ASSETS

	June 30	
	1986	1985
Cash:		
*Custodian Account	\$ 11,057.36	\$ 75,290.92
Operating Account	25,455.73	25,398.85
Total Cash	<u>\$ 36,513.09</u>	<u>\$ 100,689.77</u>
Investments:		
Corporate Bonds	\$ 93,734,969.33	\$ 82,470,470.23
U.S. Government Bonds	20,060,077.33	20,063,451.59
U.S. Government Securities — Zero Coupon	12,133,995.33	10,775,261.01
GNMA Mortgage Loans	53,055,209.87	32,727,551.96
**Common Stock	22,351,733.53	19,234,302.67
Temporary Investments	16,508,396.53	20,748,000.00
Total Investments	<u>\$ 217,844,381.92</u>	<u>\$ 186,019,037.46</u>
Accrued Income:		
Contributions Receivable	\$ 1,338,500.00	\$ 1,511,500.00
Dividends on Common Stock	85,422.72	78,539.18
Interest on GNMA Loans	248,013.47	163,891.48
Interest on Securities — Bonds	2,764,482.10	2,457,443.09
Interest on Temporary Investments	43,699.17	120,459.09
Total Accrued Income	<u>\$ 4,480,117.46</u>	<u>\$ 4,331,832.84</u>
Total Assets	<u><u>\$ 222,361,012.47</u></u>	<u><u>\$ 190,451,560.07</u></u>

*Included funds-in-transit of \$458.12 and \$16,558.17

**Market value of stocks \$40,934,543.00 and \$27,683,104.00

Liabilities and Reserves

Member Accounts:

Accumulated Contributions of Members	\$ 59,004,170.73	\$ 52,235,863.06
Accumulated Contributions of Terminated Members ...	201,544.94	180,638.74
Reinstatements — Partial Payments	1,577.58	580.00
Total Member Accounts	<u>\$ 59,207,293.25</u>	<u>\$ 52,417,081.80</u>

Reserves:

Reserve for Operating Expenses and Benefits to		
Future Retirees	\$ 99,836,752.30	\$ 81,271,449.41
Contingent Reserve for Investments	2,243,174.92	2,068,494.86
Reserve for Benefits to Present Retirees	61,073,792.00	54,694,534.00
Total Reserves	<u>\$ 163,153,719.22</u>	<u>\$ 138,034,478.27</u>

Total Liabilities and Reserves	<u><u>\$ 222,361,012.47</u></u>	<u><u>\$ 190,451,560.07</u></u>
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See Notes to Financial Statements

Statements of Changes in Net Assets Available for Benefits

	Member Accounts June 30		Reserve for Benefits to Present Retirees June 30	
	1986	1985	1986	1985
Sources of Net Assets				
Contributions of employers and members — net of refunds	\$ 10,081,710	\$ 9,496,511		
Investment income				
Gain from sales of investments				
Other				
	<u>\$ 10,081,710</u>	<u>\$ 9,496,511</u>		
Application of Net Assets				
Member withdrawals and refunds ..	3,084,182	2,426,924		
Member terminations and deaths ...	155,927	178,987		
Operating expenses				
Benefits paid			\$ 5,717,276	\$ 4,718,064
	<u>\$ 3,240,109</u>	<u>\$ 2,605,911</u>	<u>\$ 5,717,276</u>	<u>\$ 4,718,064</u>
Transfers and Adjustments				
Accumulated contributions of retirants and beneficiaries	(2,838,541)	(2,155,311)	2,838,541	2,155,311
Interest credited to member accounts	2,788,096	2,434,568		
Present value of reserve for benefits to present retirees			9,257,993	16,466,518
Other	(945)	(2,142)		180
	<u>\$ (51,390)</u>	<u>\$ 277,115</u>	<u>\$ 12,096,534</u>	<u>\$ 18,622,009</u>
Increase (Decrease) in Net Assets				
Assets	\$ 6,790,211	\$ 7,167,715	\$ 6,379,258	\$ 13,903,945
Net Assets Available for Benefits				
Beginning of year	<u>\$ 52,417,082</u>	<u>\$ 45,249,367</u>	<u>\$ 54,694,534</u>	<u>\$ 40,790,589</u>
End of year	<u>\$ 59,207,293</u>	<u>\$ 52,417,082</u>	<u>\$ 61,073,792</u>	<u>\$ 54,694,534</u>

See Notes to Financial Statements

Contingent Reserve for Investments June 30		Reserve for Operating Expenses and Benefits June 30		Totals (Memorandum Only) June 30	
1986	1985	1986	1985	1986	1985
		\$ 10,045,336	\$ 9,466,081	\$ 20,127,046	\$ 18,962,592
		20,929,788	17,729,994	20,929,788	17,729,994
\$ 174,680	\$ 228,500	33,225	113,183	207,905	341,683
		12,818	5,711	12,818	5,711
<u>\$ 174,680</u>	<u>\$ 228,500</u>	<u>\$ 31,021,167</u>	<u>\$ 27,314,969</u>	<u>\$ 41,277,557</u>	<u>\$ 37,039,980</u>
				3,084,182	2,426,924
				155,927	178,987
		410,543	423,535	410,543	423,535
				5,717,276	4,718,064
		<u>\$ 410,543</u>	<u>\$ 423,535</u>	<u>\$ 9,367,928</u>	<u>\$ 7,747,510</u>
		(2,788,096)	(2,434,568)		
		(9,257,993)	(16,466,518)		
		768	2,341	(177)	379
		<u>\$ (12,045,321)</u>	<u>\$ (18,898,745)</u>	<u>\$ (177)</u>	<u>\$ 379</u>
\$ 174,680	\$ 228,500	\$ 18,565,303	\$ 7,992,689	\$ 31,909,452	\$ 29,292,849
<u>\$ 2,068,495</u>	<u>\$ 1,839,995</u>	<u>\$ 81,271,449</u>	<u>\$ 73,278,760</u>	<u>\$ 190,451,560</u>	<u>\$ 161,158,711</u>
<u>\$ 2,243,175</u>	<u>\$ 2,068,495</u>	<u>\$ 99,836,752</u>	<u>\$ 81,271,449</u>	<u>\$ 222,361,012</u>	<u>\$ 190,451,560</u>

Notes to Financial Statements

June 30, 1986 and 1985

Note 1. Description of Plan

The Non-Teacher School Employee Retirement System of Missouri is a mandatory retirement system for substantially all public school employees who work 20 or more hours per week on a regular basis and who are not members of The Public School Retirement System. Retirement benefits are based on years of service and salary. The contributions are paid to the System by the employee and the employer at a rate set annually by the Board of Trustees but not to exceed three percent prior to July 1, 1982, and four and one-half percent subsequent to that date as set by law. The rate for 1986 and 1985 was set at four percent each for the employee and employer.

Members are eligible for retirement at age sixty if sixty or more months of creditable service have been established with the Retirement System.

Members with ten or more years of creditable service in Missouri are vested; that is, their rights to benefits at retirement age are established even if they leave the public schools.

The employees' contributions (not including the employers' contributions) are credited to their individual accounts with yearly interest on the contributions credited at a rate set by the Board of Trustees. The rate for 1986 and 1985 was six percent.

The plan also provides for various methods of withdrawals, terminations, reinstatements, disability, death benefits, and retirement benefit options.

Refer to the booklet printed by the System for additional information on the plan.

Note 2. Actuarial Statements

The results of the basic calculations prepared for the System by its actuaries are presented in a separate report. The actuarial statements should be referred to in assessing the System's present and future ability to pay benefits when due.

Note 3. Summary of Significant Accounting Policies

Valuation of investments:

Marketable securities are stated at cost or amortized cost and mortgage loans are shown at their unpaid principal balance.

Bond premiums and discounts are charged to investment income over the life of the bond based on the effective interest rate method.

Equipment:

All equipment is expensed in the year purchased.

Contingent reserve for investments:

At the discretion of the Board of Trustees, certain net gains or losses from the sales of investments are recorded in the contingent reserve for investments. Such gains or losses amounted to a credit to the reserve (representing stock and bond gains) of \$174,680 in 1986 and \$228,500 in 1985. Any net bond losses are charged to operations at the rate of five percent per year in the cumulative balance. There were no net losses in the contingent reserve in 1986 and 1985.

Income taxes:

The Internal Revenue Service conducted an examination of the System during fiscal year 1972-1973. Final disposition is pending.

Note 4. Plan Benefits

The actuarial firm of W. Alfred Hayes and Company estimates the actuarial present value of accumulated plan benefits. This is the value of accumulated plan benefits actuarially adjusted to reflect the time value of money (through discounts for interest) and probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The actuarial present values of the accumulated plan benefits as of the last two valuation dates are as follows:

	June 30	
	1985	1984
Actuarial Present Value of Accumulated Plan Benefits:		
Participants currently receiving benefits	\$ 54,694,534	\$ 40,790,589
Other participants	91,926,534	85,086,426
	<hr/> 146,621,068	<hr/> 125,877,015
Nonvested benefits	12,184,530	12,241,770
Total actuarial present value of accumulated plan benefits	<hr/> \$ 158,805,598	<hr/> \$ 138,118,785
The actuarial present value of accumulated plan benefits increased by \$20,686,813 from \$138,118,785 at June 30, 1984 to \$158,805,598 at June 30, 1985 as follows:		
Increase due to actuarial assumptions	\$ 1,155,754	
Increase due to other factors		
(interest, benefits paid, mortality, benefits accrued)	19,531,059	
Total increase	<hr/> \$ 20,686,813	
Significant assumptions underlying the actuarial computations are:		
Assumed rate of return on investments	<hr/> 1985	<hr/> 1984
Retirements, deaths, withdrawals, and terminations	8%	8%
	Rated on Actual System Experience	

Accumulated plan benefits are those estimated future periodic payments, including lump-sum distributions, that are attributable under the System's provisions to services rendered by the employees to the valuation date. These benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the System are based on an employee's compensation for the highest five consecutive years of credited service. The accumulated plan benefits for active employees are

based on their average compensation during the highest five consecutive years preceding the valuation date. Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed attributable to employee service rendered to the valuation date.

These actuarial assumptions are based on the presumption that the System will continue. If the System terminated, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of plan benefits.

Note 5. Investments

The System's securities are held in safekeeping by a bank acting as agent for the Retirement System. The amortized cost and market values for the investments with readily ascertainable market values are as follows for 1986 and 1985:

	1986	
	Amortized Cost	Market Value
Corporate and governmental bonds	\$ 105,359,452	\$ 117,280,040
Common and preferred stock	22,351,734	40,934,543
GNMA mortgage loans	53,055,210	56,955,762
Zero coupon bonds	12,133,995	21,725,813
	<u>\$ 192,900,391</u>	<u>\$ 236,896,158</u>

	1985	
	Amortized Cost	Market Value
Corporate and governmental bonds	\$ 91,928,028	\$ 90,091,467
Common and preferred stock	19,234,303	27,683,104
GNMA mortgage loans	32,727,552	34,732,796
	<u>\$ 143,889,883</u>	<u>\$ 152,507,367</u>

Corporate bonds with an amortized cost of \$8,435,595 in 1986 and \$10,605,894 in 1985, do not have readily ascertainable market values. Market values are also not available on commercial discount notes and zero coupon bonds (1985 only) in the amount of \$16,508,396 in 1986 and \$31,523,261 in 1985.

The realized gains for 1986 and 1985 are as follows:

	1986	1985
Corporate stock	\$ 33,225	\$ 113,183
Corporate bonds	174,680	228,500
	<u>\$ 207,905</u>	<u>\$ 341,683</u>

Note 6. Related Party Transactions

The Retirement System received building space, equipment, and services from the Public School Retirement System of Missouri at a cost of \$90,000 in 1986 and 1985, respectively.

Statements of Cash Receipts and Disbursements

	June 30	
	1986	1985
RECEIPTS:		
Contributions	\$ 20,312,701.52	\$ 18,558,214.64
Investment Receipts:		
Interest — Corp. & Gov't. Sec.	\$ 11,446,195.01	\$ 11,126,323.34
Interest — GNMA Mortgage Loans	5,080,521.67	3,240,012.50
Interest — Temporary Investments	1,485,379.69	1,542,043.46
Dividends — Common Stock	1,111,818.97	975,029.36
Total Investment Receipts	\$ 19,123,915.34	\$ 16,883,408.66
Principal Receipts:		
Corp. & Gov't. Securities	\$ 5,976,544.72	\$ 1,792,996.79
GNMA Loans	4,924,303.40	1,201,424.38
Common Stock	67,905.42	397,952.75
Temporary Investments	195,023,774.33	117,512,157.82
Total Principal Receipts	\$ 205,992,527.87	\$ 120,904,531.74
Miscellaneous Receipts	\$ 17,333.75	\$ 21,888.94
Total Receipts	\$ 245,446,478.48	\$ 156,368,043.98
DISBURSEMENTS:		
Investment Purchases:		
Securities — Corp. & Gov't.	\$ 16,959,500.00	\$ 1,977,540.00
U.S. Gov't. Sec. — Zero Coupon	----	6,120,241.12
GNMA Mortgage Loans	25,058,504.17	12,646,666.47
Common Stock	3,152,672.00	2,883,167.13
Temporary Investments	190,784,170.86	126,840,991.71
Accrued Interest	171,093.23	89,939.12
Total Investment Purchases	\$ 236,125,940.26	\$ 150,558,545.55
Benefit Payments:		
Service Retirement	\$ 5,509,146.06	\$ 4,573,004.81
Disability Retirement	97,108.30	83,816.00
Beneficiary Allowances	61,195.37	35,081.73
Total Benefit Payments	\$ 5,667,449.73	\$ 4,691,902.54
Withdrawals and Refunds	\$ 3,306,722.04	\$ 2,641,344.65
Operating Expenses:		
Personal Services	\$ 170,584.75	\$ 165,570.69
Investment Fees	75,088.55	67,539.89
Actuarial Fees	22,925.00	12,300.00
Audit Fees	2,660.00	2,400.00
Printing	3,847.97	2,739.34
Postage	31,736.38	33,668.32
Staff Field Expense	2,473.66	3,996.20
Info & Publicity Exp.	1,606.83	26,849.05
Election Expense	----	----
Office Equip. Rental/Maint.	1,546.59	1,088.16
Office Space Rental & Sers.	90,000.00	90,000.00
Equipment Purchases	3,503.00	1,473.55
Office Supplies	3,698.57	2,320.30
Medical Exams — Disability	471.55	815.50
Fiduciary Expense	----	11,884.18
Miscellaneous	400.28	890.07
Total Operating Expenses	\$ 410,543.13	\$ 423,535.25
Total Disbursements	\$ 245,510,655.16	\$ 158,315,327.99
Excess (Deficiency) Cash Receipts		
Over Cash Disbursements	\$ (64,176.68)	\$ (1,947,284.01)
Cash Balances, Beg. of Year	\$ 100,689.77	\$ 2,047,973.78
Cash Balances, End of Year	\$ 36,513.09	\$ 100,689.77

Investments

Investment Report

Investment Agent

The Board of Trustees of The Public School Retirement System employs Boatmen's National Bank of St. Louis to act as the Investment Agent of the funds of The Non-Teacher School Employee Retirement System. The Investment Agent has discretionary authority to invest those funds within the investment policy set by the Board of Trustees. The Investment Agent is also responsible for the safekeeping of securities and the receipt and transmittal of the retirement office of all investment principal and interest payments.

A complete investment report is furnished by the Investment Agent to the Board of Trustees at the midpoint and at the end of each fiscal year. The Board receives interim reports and approves all investment transactions at the regular bimonthly board meetings.

Boatmen's National Bank of St. Louis continued to have sole responsibility for investment of System funds.

Although pleased with Boatmen's investment performance, the Board of Trustees has developed concerns about a fund of this size being under single investment management, concerns shared even by Boatmen's. Because of those concerns, the Board has retained the services of DeMarche Associates, a nationally recognized investment consulting firm located in Kansas City. DeMarche has been directed to maintain an ongoing review of investment performance, to advise on asset allocation, and to assist in additional investment manager selection should that course be elected by the Board.

Investment Report

The average weighted investment return on all invested funds during fiscal 1985-86 was 10.75%.

The 10.75% rate of return reflects the total earnings on all funds invested — including investments of previous years at lower interest rates. New purchases during 1985-86 yielded an average return of 10.01% on Corporate Bonds, 10.36% on Government National Mortgage Association Pass-Thru Pools, 2.94% on Common Stocks, and 6.67% to 7.46% on Temporary Investments.

Investment Performance Review

Performance reports on a total return basis (income plus appreciation) were inaugurated with the fiscal year beginning July 1, 1976, on the System's publicly held fixed income securities (U.S. Government and corporate bonds), the

System's equity portfolio (common stocks) and the System's temporary investments. Beginning December 31, 1979, reported total returns have been generated by the National FSI Investment Services. National FSI is used by major banks throughout the country and measures performance in accordance with standards adopted by the Bank Administrative Institute. This System has permitted performance measurement of the combined accounts of the System's fixed income securities, equities, and temporary investments which have been marked to market on a monthly basis beginning January 1, 1980.

During the past fiscal year, the System's fixed income securities outperformed the Shearson Lehman Govt/Corp Bond Index by 610 basis points (26.8% vs. 20.7%), its equities outperformed the S&P 500 by 280 basis points (38.6% vs. 35.8%), and its temporary investments showed a return of 80 basis points in excess of the return on Treasury Bills (7.9% vs. 7.1%). The System's total portfolio of marketable securities showed a return of 27.0% vs. 20.5% for the Weighted Index which is a composite of the Shearson Lehman Index, the S&P 500, and Treasury Bills returns based on the diversification of the System's portfolio each month.

Earnings Assumption

In evaluating the retirement system, the actuary must look at the rate of return on investments that can reasonably be expected in the future on current and future funds of the retirement system. This earnings assumption is one of the most important variables used by the actuary in determining the soundness of the retirement system. It has always been the policy of the Board of Trustees to set the highest earnings assumption consistent with projected returns in order to fund benefits at the least cost to members and employers.

In setting the earnings assumption rate, the Board must consider the income which will be earned from all investments made since the system began in 1965, as well as what can be expected to be earned on the monies which will be received in the future. Thus, the Board of Trustees cannot necessarily base the earnings assumption on current interest rates. The board continually reviews the earnings assumption with both the investment agent and the actuary and has currently set the assumption rate at eight percent. An eight percent earnings assumption is among the highest of any public school retirement system in the country.

Schedules of Investment Income

Years Ended June 30, 1986 and 1985

	1986	1985
Corporate and Government Bonds		
Interest received	\$ 11,446,195	\$ 11,126,323
Add:		
Accrued interest, end of year	2,764,482	2,457,443
Accretion of discount	113,703	98,984
	<u>14,324,380</u>	<u>13,682,750</u>
Less:		
Accrued interest, beginning of year	2,457,443	2,467,120
Accrued interest purchased during year	31,415	2,420
Amortization of premium	10,213	9,162
Income from corporate and government securities	<u>11,825,309</u>	<u>11,204,048</u>
Zero Coupon Bonds		
Accretion of discount	<u>1,358,734</u>	<u>695,529</u>
Common Stock		
Dividends received	1,111,819	975,030
Add: Accrued dividends, end of year	85,423	78,539
	<u>1,197,242</u>	<u>1,053,569</u>
Less: Accrued dividends, beginning of year	78,539	72,699
Income from common stocks	<u>1,118,703</u>	<u>980,870</u>
GNMA Mortgage Loans		
Interest received	5,080,521	3,240,013
Add:		
Accrued interest, end of year	248,013	163,891
Accretion of discount	193,457	65,400
	<u>5,521,991</u>	<u>3,469,304</u>
Less:		
Accrued interest purchased during year	139,678	87,519
Accrued interest, beginning of year	163,891	98,007
Income from GNMA Mortgage Loans	<u>5,218,422</u>	<u>3,283,778</u>
Commercial Discount Notes		
Interest received	1,485,380	1,542,044
Add: Accrued interest, end of year	43,699	120,459
	<u>1,529,079</u>	<u>1,662,503</u>
Less: Accrued interest, beginning of year	120,459	96,734
	<u>1,408,620</u>	<u>1,565,769</u>
Total Investment Income	<u>\$ 20,929,788</u>	<u>\$ 17,729,994</u>

TEMPORARY INVESTMENTS 6/30/86

Par Value	Description	Book Value	Market Value
\$ 7,525,000	ILA Prime Obligations Fund, NC Variable Interest Note	\$ 7,525,000.00	\$ 7,525,000
1,271,000	General Motors Acceptance Corp. Variable Interest Note	1,721,000.00	1,721,000
1,000,000	Becton Dickinson & Co. 6.70% NT DTD 6/27/86 Due 7/30/86	1,000,000.00	1,000,000
1,000,000	Colgate Palmolive Co. 6.80% DN DTD 6/16/86 Due 8/1/86	991,311.11	991,311
1,000,000	Combined Intl. Corp. 6.75% DN DTD 6/18/86 Due 7/16/86	994,750.00	994,750
500,000	Hospital Corp. of Amer. 6.85% DN DTD 6/16/86 Due 7/23/86	496,479.86	496,479
500,000	Hospital Corp. of Amer. 6.85% DN DTD 6/17/86 Due 8/1/86	495,718.75	495,718
500,000	ITT Credit Corp. 6.85% DN DTD 6/24/86 Due 7/23/86	497,240.97	497,240
260,000	Sears Roebuck Accept. Corp. 6.85% DN DTD 6/30/86 Due 7/9/86	260,000.00	260,000
1,000,000	Super Valu Stores, Inc. 6.80% DN DTD 6/19/86 Due 7/30/86	992,255.56	992,255
1,000,000	USF&G Corp. 6.85% DN DTD 6/24/86 Due 8/6/86	991,818.06	991,818
1,000,000	Weyerhaeuser Mtg. Co. 6.80% DN DTD 6/13/86 Due 7/21/86	992,822.22	992,822
TOTAL TEMPORARY INVESTMENTS		\$ 16,508,396.53	\$ 16,508,396

U.S. GOVERNMENT SECURITIES 6/30/86

Par Value	Description	Book Value	Market Value
\$ 1,500,000	U.S. Treasury Notes Due 5/15/93	\$ 1,498,150.39	\$ 1,698,285
3,000,000	U.S. Treasury Bonds Due 2/15/01	3,037,950.01	3,981,570
3,000,000	U.S. Treasury Bonds Due 8/15/01	3,152,121.67	4,402,500
750,000	U.S. Treasury Bonds Due 11/15/01	746,992.93	1,256,482
3,000,000	U.S. Treasury Bonds Due 11/15/02	3,097,465.48	3,991,860
1,500,000	U.S. Treasury Bonds Due 2/15/03	1,481,430.96	1,885,785
3,000,000	U.S. Treasury Bonds Due 5/15/03	2,853,117.17	3,771,570
3,500,000	U.S. Treasury Bonds Due 11/15/03	3,470,972.35	4,765,460
750,000	U.S. Treasury Bonds Due 11/15/06	721,876.37	1,197,652
TOTAL U.S. GOVERNMENT		\$ 20,060,077.33	\$ 26,951,165

ZERO COUPON BONDS 6/30/86

Par Value	Description	Book Value	Market Value
TREASURY RECEIPTS			
\$ 4,625,000	Certificate of Accrual Int. Due 5/15/97	\$ 1,127,732.15	\$ 1,890,468
5,000,000	Certificate of Accrual Int. Due 11/15/98	1,088,182.94	1,737,500
4,688,000	Certificate of Accrual Int. Due 8/15/99	788,323.91	1,529,460
4,688,000	Certificate of Accrual Int. Due 8/15/00	692,689.69	1,394,680
4,688,000	Certificate of Accrual Int. Due 8/15/01	608,908.91	1,277,480
4,688,000	Certificate of Accrual Int. Due 8/15/02	536,265.36	1,172,000
5,000,000	Certificate of Accrual Int. Due 2/15/98	1,234,136.34	1,850,000
5,000,000	Certificate of Accrual Int. Due 2/15/01	870,007.51	1,425,000
3,500,000	Certificate of Accrual Int. Due 2/15/02	533,874.27	914,375
5,000,000	Certificate of Accrual Int. Due 2/15/06	485,782.14	937,500
5,000,000	Certificate of Accrual Int. Due 8/15/06	458,295.76	893,750
10,937,000	Certificate of Accrual Int. Due 11/15/03	1,421,803.63	2,460,825
3,960,000	Certificate of Accrual Int. Due 2/15/99	854,256.49	1,346,400
12,500,000	Certificate of Accrual Int. Due 5/15/04	1,433,736.23	2,896,375
TOTAL TREASURY RECEIPTS		\$ 12,133,995.33	\$ 21,725,813

CORPORATE BONDS 6/30/86

Par Value	Description	Book Value	Market Value
PUBLIC UTILITY BONDS			
\$ 50,000	Consolidated Edison Co. NY, Inc. Due 12/15/96	\$ 50,000.00	\$ 41,250
300,000	Duke Power Co. Due 6/1/03	301,409.41	261,375
500,000	Duke Power Co. Due 9/1/07	441,499.40	456,875
1,000,000	Florida Power & Light Co. Due 6/1/12	996,279.16	1,177,500
300,000	Georgia Power Co. Due 6/1/03	300,705.34	250,875
500,000	Hawaiian Electric Co. Due 12/1/04	500,000.00	527,500
100,000	Houston Lighting & Power Co. Due 3/15/13	99,258.94	100,000
500,000	Illinois Power Co. Due 11/1/07	449,388.57	445,000
300,000	Mountain States Telephone & Teleg. Due 6/1/13	300,000.00	259,125
500,000	Oklahoma Gas & Electric Co. Due 1/1/07	507,192.13	462,500
1,250,000	Pacific Gas & Electric Co. Due 8/1/15	1,238,691.66	1,421,875
50,000	Pacific Gas & Electric Co. Due 12/1/98	49,350.38	38,375
300,000	Pacific Telephone & Telegraph Co. Due 6/1/09	300,000.00	257,625
200,000	Public Service Co. Due 10/1/07	177,464.84	166,250
1,000,000	Southern California Edison Co. Due 4/15/12	982,632.21	1,207,500
1,000,000	Texas Electric Service Co. Due 12/1/12	993,854.25	1,081,250
50,000	Union Electric Co. Due 5/1/96	50,392.72	39,437
500,000	Union Electric Co. Due 3/1/05	500,000.00	525,000
1,500,000	Union Electric Co. Due 3/1/16	1,496,250.00	1,466,250
650,000	Utah Power & Light Co. Due 9/1/07	577,782.95	584,187
300,000	Utah Power & Light Co. Due 12/1/12	300,000.00	337,500
500,000	Virginia Electric & Power Co. Due 3/1/06	500,000.00	501,875
INDUSTRIAL BONDS			
500,000	Abbott Laboratories Due 10/15/99	500,000.00	509,375
1,500,000	Abbott Laboratories Due 2/1/13	1,500,000.00	1,717,500
500,000	Aetna Life & Casualty Co. Due 10/15/07	497,741.75	471,875
1,000,000	Aluminum Company Due 11/15/96	594,371.34	865,000
750,000	Aluminum Company Due 1/15/11	750,000.00	846,562
1,000,000	American Medical Intl., Inc. Due 1/15/14	996,573.50	1,128,750
500,000	Amoco Co. Due 8/1/07	498,314.19	455,625
500,000	Anheuser-Busch Inc. Due 2/1/99	500,000.00	480,000
500,000	Armco Steel Corporation Due 9/1/01	498,756.96	388,750
1,500,000	Baker International Corp. Due 3/15/02	706,038.86	1,076,250
2,000,000	Becton Dickinson & Co. Due 6/1/16	1,990,000.00	1,955,000
750,000	Bendix Corporation due 5/15/05	750,000.00	772,500
1,500,000	Capital Cities Comm. Inc. Due 6/15/13	1,492,601.82	1,644,375
500,000	Carter Hawley Hale Stores Inc. Due 10/15/08	497,674.52	410,000
500,000	Cities Service Company Due 10/1/00	497,934.94	495,000
750,000	Conoco Incorporated Due 1/15/11	750,000.00	842,812
500,000	Continental Oil Company Due 11/1/99	499,014.60	502,500
1,000,000	Dayton Hudson Corporation Due 6/1/12	992,579.81	1,132,500
500,000	Diamond Shamrock Corp. Due 11/15/00	500,000.00	461,875
500,000	Diamond Shamrock Corp. Due 4/1/08	491,973.83	428,125
500,000	Dow Chemical Company Due 1/15/06	500,000.00	461,875
500,000	Dow Chemical Company Due 7/15/07	496,625.86	436,875
2,000,000	Du Pont E I De Nemours & Co. Due 12/1/01	1,001,161.94	1,565,000
500,000	Du Pont E I De Nemours & Co. Due 11/15/04	500,000.00	472,250
500,000	Exxon Pipeline Co. Due 10/15/04	496,954.30	500,000
500,000	Firestone Tire & Rubber Co. Due 12/1/04	514,381.38	482,500
1,500,000	General Foods Corporation Due 6/15/11	787,161.26	1,179,375
250,000	Goodrich B F Company Due 11/15/94	243,418.84	228,750
250,000	Goodyear Tire & Rubber Co. Due 9/15/97	250,000.00	220,937
1,500,000	Harris Corporation Due 6/1/10	1,476,285.00	1,636,875
750,000	Honeywell Inc. Due 2/1/11	743,543.73	832,500
1,000,000	Honeywell Inc. Due 4/15/06	992,500.00	938,750
1,000,000	Hospital Corp. of America Due 1/15/07	990,166.93	1,245,000
750,000	Ingersoll Rand Co. Due 9/1/10	750,000.00	816,562
750,000	Interco Incorporated Due 2/15/91	750,000.00	825,000
500,000	Intl. Minerals & Chem. Corp. Due 11/1/00	500,000.00	483,125
500,000	International Paper Company Due 12/15/00	500,000.00	484,375
750,000	Intl. Telephone & Teleg. Corp. Due 2/1/05	748,219.02	825,000
2,000,000	Kerr McGee Corporation Due 11/1/11	1,013,049.29	1,547,500
500,000	Marathon Oil Company Due 11/1/06	497,765.39	429,375
500,000	May Department Stores Due 7/15/02	497,887.75	455,625
500,000	Monsanto Company Due 5/15/08	497,127.70	471,875
1,000,000	Monsanto Company Due 11/15/15	1,000,000.00	1,092,500
500,000	Owens Illinois Incorporated Due 11/1/99	500,000.00	500,000

CORPORATE BONDS (Continued)

Par Value	Description	Book Value	Market Value
INDUSTRIAL BONDS (Continued)			
\$ 500,000	Penney, J C Co. Inc. Due 6/15/99	\$ 500,000.00	\$ 490,625
750,000	Penney, J C Co. Inc. Due 6/15/10	746,378.37	811,875
1,000,000	Pennzoil Company Due 12/1/07	990,762.16	1,070,000
600,000	Philip Morris Inc. Due 6/1/04	605,280.65	584,250
500,000	Phillips Petroleum Co. Due 11/15/00	500,000.00	438,125
200,000	Procter & Gamble Co. Due 5/15/02	198,467.20	171,750
500,000	RCA Corporation Due 8/15/92	500,000.00	513,125
1,000,000	Ralston Purina Co. Due 10/15/14	995,024.62	1,101,250
1,250,000	Reynolds, R J Indus. Inc. Due 10/1/12	1,250,000.00	1,406,250
1,500,000	Sara Lee Corp. Due 5/15/16	1,500,000.00	1,438,125
300,000	Sears Roebuck & Co. Due 2/1/07	299,198.22	268,500
1,500,000	Sears Roebuck & Co. Due 11/15/01	807,224.03	1,269,375
500,000	Sohio Pipe Line Co. Due 5/1/01	497,948.00	482,500
750,000	Stauffer Chemical Company Due 1/15/01	737,045.74	700,312
200,000	Sun Co. Inc. Due 5/1/02	198,460.35	168,500
1,250,000	Sun Co. Inc. Due 8/15/07	1,250,000.00	1,412,500
1,500,000	Sundstrand Corp Due 5/1/16	1,497,750.00	1,488,750
500,000	Tenneco Incorporated Due 4/1/02	498,950.83	456,250
500,000	Tenneco Incorporated Due 4/15/03	498,910.97	475,625
250,000	Texaco Incorporated Due 4/1/06	248,341.25	220,000
500,000	Texasgulf Incorporated Due 12/15/00	500,000.00	363,750
500,000	Union Oil Co. of California Due 3/1/06	496,674.71	451,250
500,000	United Technologies Corp. Due 1/15/04	498,876.14	507,500
2,000,000	Wal Mart Stores Inc. Due 8/15/00	2,000,000.00	2,212,500
2,000,000	Walgreen Co. Due 7/1/16	1,995,000.00	2,000,000
1,000,000	Waste Management, Inc. Due 12/1/15	993,763.04	1,106,250
500,000	Weyerhaeuser Co. Due 11/15/04	500,000.00	486,875
500,000	Xerox Corporation Due 11/1/99	499,028.51	481,875
TRANSPORTATION BONDS			
2,000,000	Burlington Northern, Inc. Due 8/15/15	1,998,004.05	2,202,500
500,000	General American Transn Corp. Due 6/1/97	500,000.00	462,500
500,000	Southern Pacific Transn Co. Due 12/1/01	500,000.00	451,250
500,000	Southern RY Co. Due 10/15/01	498,960.03	473,125
500,000	Union Pacific Corp. Due 3/1/01	500,000.00	479,375
500,000	Union Tank Car Co. Equip. Due 1/15/94	500,000.00	471,875
FINANCE BONDS			
500,000	Bankamerica Corp. Due 12/1/03	496,493.47	420,625
500,000	Bankamerica Corp. Due 5/1/01	495,891.03	460,000
500,000	Bankers Trust N Y Corp. Ser. Due 11/1/02	498,929.80	465,000
300,000	Beneficial Corporation Due 5/15/98	300,522.76	263,625
500,000	Beneficial Corporation Due 6/1/03	500,000.00	448,125
500,000	C I T Financial Corporation Due 4/1/01	496,946.16	471,875
500,000	C I T Financial Corporation Due 3/15/08	500,000.00	483,125
750,000	Chemical N Y Corporation Due 8/1/02	729,828.06	685,312
500,000	Citicorp Notes Due 3/15/07	498,515.02	452,500
500,000	Community Fed. Savgs. & Ln. Due 9/1/89	500,000.00	511,250
750,000	Crocker National Corporation Due 12/1/02	736,249.35	693,750
300,000	First City Bancorp. of Texas Due 3/1/98	299,474.79	235,125
500,000	Ford Motor Cr. Co. Due 11/1/01	495,851.00	470,000
2,500,000	General Electric Cr. Corp. Due 11/1/01	1,024,580.81	1,862,500
300,000	General Motors Accep. Corp. Due 11/1/98	300,000.00	285,750
500,000	General Motors Accep. Corp. Due 2/1/00	497,988.70	490,625
1,500,000	General Motors Accep. Corp. Due 12/15/01	641,698.45	1,085,625
300,000	Household Finance Corp. Due 8/1/95	300,000.00	276,750
500,000	Household Finance Corp. Due 7/1/00	497,957.54	490,000
500,000	ITT Finl. Corp. Due 12/1/02	497,330.38	445,000
1,000,000	Irving Bank Corporation Due 11/15/07	992,701.84	1,147,500
500,000	Manufacturers Hanover Corp. Due 8/15/07	497,176.80	428,750
300,000	Mercantile Bancorp. Inc. Due 1/15/04	300,000.00	261,750
300,000	Northwest Bancorporation Due 3/15/03	300,000.00	243,750
500,000	Republicbank Corporation Due 7/1/01	498,944.59	465,625
500,000	Transamerica Finl. Corp. Due 3/1/99	498,431.37	519,375
1,500,000	Valley National Corp. Due 3/1/16	1,496,250.00	1,533,750
500,000	Wells Fargo & Co. Due 4/1/02	500,000.00	464,375
750,000	Westinghouse Credit Corp. Due 6/15/91	745,586.68	825,000
TOTAL CORPORATE BONDS		\$ 85,299,374.74	\$ 90,328,875

PRIVATELY PLACED CORPORATE BONDS 6/30/86

	Book Value	Market Value*
PUBLIC UTILITY BONDS		
AT & T Technologies, Inc. Due 6/1/03	\$ 264,000.00	\$ 264,000
Arizona Public Service Due 5/15/00	650,000.00	650,000
Colonial Pipeline Co. Due 6/1/02	616,000.00	616,000
Commonwealth Edison Co. Due 4/1/99	650,000.00	650,000
General Tel. Co. Northwest Inc. Due 6/1/99	100,000.00	100,000
Ohio Edison Company Due 2/1/00	700,000.00	700,000
St. Louis County Water Co. Due 6/1/97	100,000.00	100,000
Southern California Edison Co. Due 6/15/04	638,000.00	638,000
United Telephone Co. Missouri Due 5/1/97	81,000.00	81,000
Vel Equip Incorporated Due 9/1/91	149,229.24	149,229
INDUSTRIAL BONDS		
Alltank Equip. Corp. Due 8/1/92	102,379.97	102,379
Ameripol Inc. Due 11/15/92	50,000.00	50,000
Androck Properties Inc. Due 1/31/97	121,473.55	121,473
Ashref Inc. Due 7/15/01	208,087.51	208,087
Beacon of Del Inc. Due 2/1/00	63,735.64	63,735
Engledale Inc. Due 2/15/99	62,192.95	62,192
Ex-Cell-O Corp. Due 6/1/87	30,000.00	30,000
575 Market Street Bldg. Corp. Due 7/1/08	202,000.00	202,000
Flying Cloud Properties Inc. Due 9/1/94	163,837.97	163,837
Fouorth Swansea Properties Inc. Due 2/1/93	37,315.62	37,315
Fourth Wallingford Pptys. Inc. Due 1/1/99	20,827.54	20,827
Gemstone Corporation Due 3/1/89	16,100.00	16,100
Gemstone Corporation Due 9/1/94	49,300.00	49,300
Gromarco Incorporated Due 1/1/93	18,000.00	18,000
Koch Properties, Inc. Due 7/1/91	54,318.56	54,318
NAB Properties Inc. Due 9/1/03	310,649.50	310,649
Norton Simon Inc. Due 6/1/04	642,900.00	642,900
Owens Illinois Inc. Due 4/1/88	23,000.00	23,000
Pipco Corp. Due 6/3/00	73,905.51	73,905
S T Corp. Mtg. Bonds Due 5/1/94	298,158.29	298,158
Salt Grass Power Inc. Due 1/1/98	198,185.30	198,185
Scarteen Corp. Due 10/22/87	50,000.00	50,000
Sixty-Eight Scarteen Corp. Due 6/14/88	74,000.00	74,000
Synchro Realty Inc. Due 9/30/00	120,691.75	120,691
Texaco Incorporated Due 6/1/03	462,000.00	462,000
Third Bromfield Pptys. Inc. Due 10/1/88	30,293.94	30,293
TRANSPORTATION BONDS		
General Amern Transn. Corp. Due 3/1/94	118,000.00	118,000
Missouri Pacific RR Co. Due 3/1/94	265,872.63	265,872
FINANCE BONDS		
American Invst. Co. Due 4/1/94	140,000.00	140,000
Geico Properties Inc. Due 6/15/04	421,394.95	421,394
NCNB Properties Inc. Due 12/1/93	58,744.17	58,744
TOTAL CORPORATE BONDS	\$ 8,435,594.59*	\$ 8,435,594*

*No market quotations available

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION LOANS 6/30/86

Par Value	Description	Book Value	Market Value
\$ 1,157,947.97	GNMA Pool #105422 Due 10/15/13	\$ 1,148,539.62	\$ 1,227,065
1,452,165.52	GNMA Pool #105423 Due 10/15/13	1,444,450.89	1,538,845
290,509.16	GNMA Pool #106071 Due 11/15/13	288,148.77	307,849
1,103,972.99	GNMA Pool #107993 Due 9/15/13	1,014,275.22	1,165,033
368,749.15	GNMA Pool #36788 Due 3/15/10	351,464.02	388,108
407,932.70	GNMA Pool #37905 Due 7/15/10	405,893.00	429,349
568,647.79	GNMA Pool #37915 Due 2/15/10	478,374.91	598,501
426,946.44	GNMA Pool #38221 Due 2/15/10	395,992.81	449,361
563,747.08	GNMA Pool #38825 Due 2/15/10	478,480.33	593,343
324,107.29	GNMA Pool #39144 Due 4/15/10	296,963.31	343,453
702,510.69	GNMA Pool #39307 Due 2/15/10	670,925.45	739,392

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION LOANS 6/30/86 (Continued)

Par Value	Description	Book Value	Market Value
\$ 348,645.50	GNMA Pool #39310 Due 3/15/10	\$ 333,392.27	\$ 366,949
689,357.70	GNMA Pool #39313 Due 3/15/10	660,577.02	727,486
1,122,121.62	GNMA Pool #41399 Due 8/15/10	1,077,938.09	1,181,033
516,051.45	GNMA Pool #41785 Due 3/15/10	477,992.66	543,144
1,171,167.97	GNMA Pool #42033 Due 9/15/10	1,084,794.32	1,232,654
1,126,402.35	GNMA Pool #42079 Due 8/15/10	1,091,338.53	1,185,538
560,930.41	GNMA Pool #42692 Due 9/15/10	560,229.22	590,379
367,214.12	GNMA Pool #42994 Due 10/15/10	335,082.89	387,524
501,757.21	GNMA Pool #42996 Due 11/15/10	476,042.13	531,707
881,969.06	GNMA Pool #43602 Due 11/15/10	829,602.13	934,613
420,463.68	GNMA Pool #43604 Due 12/15/10	391,556.79	445,561
732,384.64	GNMA Pool #44106 Due 10/15/10	634,428.21	772,892
631,601.91	GNMA Pool #44881 Due 11/15/10	608,706.29	669,302
582,299.73	GNMA Pool #45717 Due 11/15/10	535,715.74	614,506
1,577,111.98	GNMA Pool #107323 Due 12/15/14	1,558,383.80	1,671,249
2,906,889.51	GNMA Pool #113171 Due 1/15/14	2,863,286.17	3,066,768
3,149,267.31	GNMA Pool #121668 Due 3/15/15	3,092,186.84	3,322,477
2,277,450.80	GNMA Pool #121669 Due 2/15/15	2,237,595.42	2,402,710
3,964,493.77	GNMA Pool #125277 Due 10/15/15	3,902,548.57	4,172,629
1,968,311.44	GNMA Pool #130721 Due 8/15/15	1,932,635.00	2,071,647
1,970,796.06	GNMA Pool #130722 Due 8/15/15	1,925,221.40	2,074,262
2,951,945.49	GNMA Pool #133372 Due 11/15/15	2,922,426.03	3,106,922
3,958,299.26	GNMA Pool #138000 Due 10/15/15	3,844,498.15	4,166,109
2,500,000.00	GNMA Pool #146857 Due 5/15/16	2,478,125.00	2,432,025
2,500,000.00	GNMA Pool #160495 Due 6/15/16	2,481,250.00	2,432,025
3,482,621.92	GNMA Pool #160496 Due 5/15/16	3,469,562.09	3,387,929
2,000,000.00	GNMA Pool #162837 Due 6/15/16	1,917,500.00	1,945,620
1,136,042.01	GNMA Pool #0093MSF Due 3/20/14	1,072,494.67	1,198,524
1,460,912.22	GNMA Pool #0109MSF Due 4/20/14	1,286,591.31	1,541,262
TOTAL GNMA		\$ 53,055,209.87	\$ 56,955,762

PREFERRED AND COMMON STOCK 6/30/86

	No. of Shares	Description	Book Value	Market Value
CONVERTIBLE SECURITIES				
	1,100	Union Pacific Corp.	\$ 70,472.45	\$ 134,475
COMMON STOCKS				
Aerospace	5,000	Raytheon Co.	197,055.00	318,125
Appliances & Household Furnishings	12,500	Armstrong World Inds., Inc.	479,612.50	801,562
	7,500	Whirlpool Corp.	397,310.00	584,062
Autos and Trucks	11,000	General Motors Corp.	569,841.19	853,875
	1,000	General Motors Corp. CL E	13,289.10	48,750
	550	General Motors Corp. CL H	15,742.21	22,893
Auto Related	14,000	Goodyear Tire & Rubber Co.	439,506.20	462,000
Banks	10,500	Valley National Corp.	289,250.00	469,875
Beverage	27,500	Anheuser-Busch Cos. Inc.	397,115.00	1,553,750
Building	28,000	Masco Corp.	462,683.75	924,000
	250	Masco Inds. Inc.	7,031.25	59,625
	10,000	Timber Realization Co. Depository Receipt	90,000.00	113,750
	13,750	Jim Walter, Corp.	324,855.74	618,750
Chemicals	1,000	American Cyanamid Co.	51,600.00	77,500
	7,800	Dow Chemical Co.	96,766.19	447,525
	9,000	W. R. Grace & Co.	368,533.00	484,875
	3,000	Hercules Inc.	63,390.00	159,375
Coal and Gas	2,040	Pittston Co.	71,420.00	23,715
Containers	1,600	Sea Land Corp. Cit. Rights CTF00	.99
Costmetics and Soaps	2,000	Avon Products Inc.	132,500.00	71,500
	14,000	Gillette Company	386,446.90	687,750
Diversified	6,000	International Telephone & Telegraph Corp.	295,248.50	326,250
	10,000	IU International Corp.	157,217.47	153,750
	6,000	Minnesota Mining & Mfg. Co.	381,907.00	682,500
Drugs and Medical	18,000	Abbott Labs.	489,015.00	967,500
	4,000	American Home Products Corp.	154,100.00	360,000
	10,000	Johnson & Johnson	334,512.50	726,250

PREFERRED AND COMMON STOCK 6/30/86 (Continued)

	No. of Shares	Description	Book Value	Market Value
COMMON STOCKS (Continued)				
	8,600	Merck & Co. Inc.	\$ 193,579.06	\$ 898,700
Electrical Equipment	7,000	Emerson Electric Co.	325,377.30	609,000
	9,000	General Electric Co.	504,987.50	729,000
Electronics	7,000	Gould Inc.	185,730.00	153,125
	8,000	Harris Corp.	320,997.50	266,000
	19,500	Motorola Inc.	465,767.50	777,562
	4,000	Tektronix Inc.	194,704.50	239,500
Environmental Control	34,000	Browning Ferris Inds.	383,613.50	1,292,000
Financial Services	11,999	American Express Co.	255,827.80	749,937
	9,000	Federal Nat'l. Mortgage Assn.	160,875.00	354,375
	10,000	Household Intl. Inc.	366,585.40	433,750
	10,400	Transamerica Corp.	226,392.60	369,200
Forest Products	4,120	Boise Cascade Corp.	211,930.14	238,960
	7,225	Georgia Pacific Corp.	174,170.54	226,684
	5,000	Scott Paper Co.	267,150.00	295,000
Food	26,250	Borden Inc.	400,526.17	1,296,093
	21,000	Ralston Purina Co.	224,450.00	1,533,000
Hospital Supply and Services	10,500	American Medical Intl., Inc.	247,872.50	182,437
	20,000	Baxter Travenol Labs Inc.	187,062.50	377,500
	8,000	Hospital Corp. of America	315,732.50	304,000
Insurance	6,000	Aetna Life & Casualty Co.	281,355.00	363,750
	4,000	Cigna Corp.	167,010.00	253,500
Leisure Related	10,976	Brunswick Corp.	72,836.38	388,276
	3,300	Capital Cities Communications, Inc.	468,283.00	846,450
	10,000	Leisure & Technology Corp.	141,122.00	67,500
Machinery	10,000	Cooper Inds. Inc.	441,162.50	407,500
	12,500	General Signal Corp.	515,024.00	592,187
Office Equipment	2,000	Burroughs Corp.	177,906.35	123,000
	8,000	IBM Corporation	613,545.43	1,172,000
	1,500	Xerox Corp.	133,020.92	84,187
Petroleum-Domestic	2,000	Amoco Corp.	113,707.07	120,500
	10,000	Atlantic Richfield Co.	281,137.50	520,000
	6,000	Occidental Pete Corp.	157,860.00	160,500
Petroleum-International	15,000	Exxon Corp.	344,418.83	913,125
	10,000	Mobil Corp.	219,845.00	316,250
Petroleum Services	7,500	Dresser Inds. Inc.	282,757.50	139,687
	5,000	Halliburton Co.	275,742.50	111,250
Photographic Products/ Optical	4,500	Eastman Kodak Company	234,840.00	263,812
Printing and Publishing	17,500	American Greetings Corp. C1 A	609,387.50	713,125
	18,000	McGraw-Hill Inc.	286,679.16	1,075,500
Railroads	4,400	Union Pacific Corp.	130,242.55	250,250
Retailing	12,000	Edison Bros. Stores Inc.	115,162.13	501,000
	5,000	Federated Dept. Stores Inc.	209,699.04	444,375
	10,000	K-Mart Corp.	420,800.00	568,750
	11,750	May Dept. Stores Co.	248,270.00	973,781
	10,000	Payless Cashways, Inc.	239,527.50	261,250
	3,000	J.C. Penney, Co. Inc.	146,399.70	255,750
	10,000	Standard Brands Paint Co.	197,625.00	232,500
	17,000	Wal-Mart Stores, Inc.	325,205.00	881,875
Textiles and Apparel	9,000	Brown Group Inc.	112,712.05	343,125
	7,500	Interco Inc.	312,364.50	707,812
	18,132	National Service Inds., Inc.	186,573.98	707,148
Tobacco	22,500	RJR Nabisco, Inc.	330,256.46	1,192,500
Utilities-Electric	4,400	American Elec. Power Co. Inc.	131,373.77	117,150
	3,000	Central & South West Corp.	62,750.00	93,750
	6,666	Dominion Res., Inc. VA	229,245.13	279,972
	3,000	Houston Inds. Inc.	87,529.65	94,500
	10,000	Southern Calif. Edison Co.	137,625.00	313,750
	10,000	Southern Co.	231,051.80	237,500
Utilities-Gas	8,000	Enserch, Corp.	192,795.00	122,000
	160	Enserch Expl. Partners LTD	2,475.00	2,020
Utilities-Telephone	3,000	GTE Corp.	105,476.90	162,375
Miscellaneous	200	Cyprus Minerals Co.	2,242.93	4,525
	3,000	Handyman Corp.	26,936.84	94,875
TOTAL PREFERRED AND COMMON STOCK			\$ 22,351,733.53	\$ 40,934,543

Actuarial Data

W. ALFRED HAYES AND COMPANY

6828 OAKLAND AVENUE
ST. LOUIS, MISSOURI 63139

314/647-4777

March, 1987

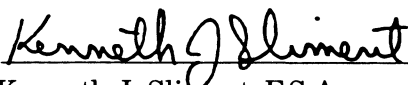
Board of Trustees
Non-Teacher School Employee
Retirement System of Missouri
Post Office Box 268
Jefferson City, Missouri 65102

Gentlemen:

An actuarial valuation of the System has been performed as of June 30, 1986. The employee data used has been supplied by the System, and asset information was obtained from the auditors' report.

As a result of this valuation, we recommend a continuation of the 4% contribution rate for Members and Employers.

Respectfully submitted,


Kenneth J. Sliment, F.S.A.

RESULTS OF THE ACTUARIAL VALUATION

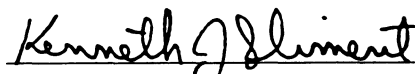
The essential results of the June 30, 1986 actuarial valuation are summarized below:

(1) Present Value of Future Benefits For:		
(a) Active Members	\$370,474,354	
(b) Retired Members	61,073,792	
(c) Inactive Members	3,303,620	
(d) Other Liabilities	<u>2,243,175</u>	
(e) Total		\$437,094,941
(2) Present Value of Future Normal Costs		163,256,300
(3) Prior Service Liability: (1)-(2)		273,838,641
(4) Actuarial Assets of the System		223,844,442
(5) Unfunded Prior Service Liability: (3)-(4)		49,994,199

With a fixed benefit level and a defined contribution rate, the amortization period for the Unfunded Prior Service Liability becomes the key item. The procedure has been adopted whereby the funding of the entire System (Normal Cost as well as Unfunded Prior Service Liability) is accomplished as a level percentage of an expanding payroll (i.e., with increasing dollar contributions). The following development illustrates how this is done based on a 4% contribution rate:

(6) Total Contribution Rate, Member + District	8.00%
(7) Normal Cost Rate	6.60
(8) Rate Available for Unfunded Prior Service Liability: (6) - 1.04 x (7)	1.14
(9) Number of Years required to Amortize Unfunded Prior Service Liability if Compensation Increases 5.6% Per Year	24

This compares with a period of 13 years derived from the June 30, 1985 actuarial valuation. Therefore, we recommend a continuation of the 4% contribution rate now in effect for the Members and for the Districts.



Kenneth J. Sliment, F.S.A.

Actuarial Balance Sheet

June 30, 1986

The actuarial balance sheet, comparing the present and potential assets and liabilities of the System, is shown below as of June 30, 1986:

ASSETS

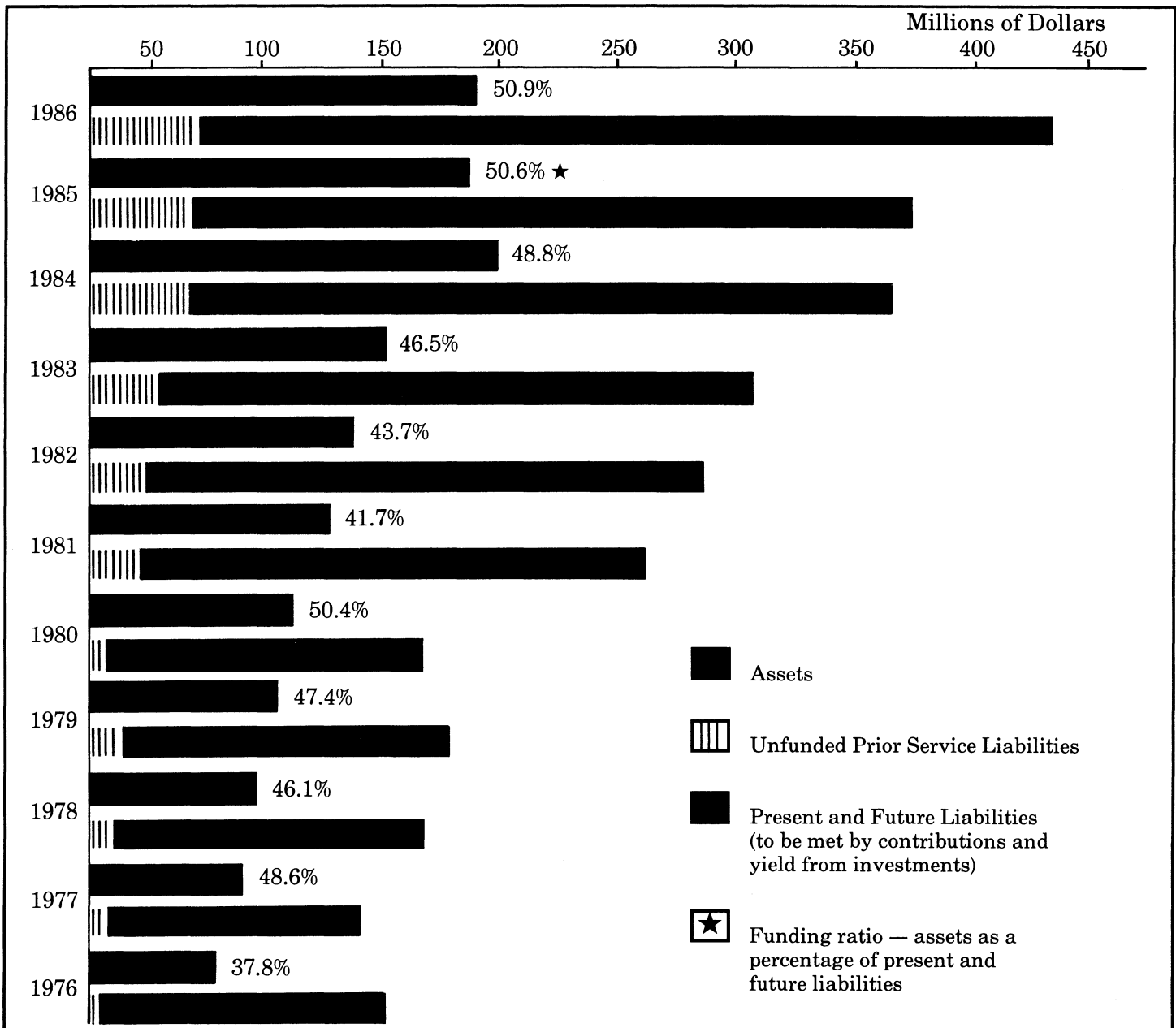
Present Actuarial Assets		\$	223,844,442
Present Value of Future Contributions For:			
Normal Costs	\$	163,256,300	
Unfunded Prior Service Liability		<u>49,994,199</u>	
			\$ 213,250,499
Total Present and Potential Assets			<u>\$ 437,094,941</u>

LIABILITIES

Present Value of Future Benefit Payments:

Actives:			
Service Retirement	\$	298,209,034	
Disability Retirement		3,058,590	
Withdrawal Benefits		59,902,100	
Refunds on Death		9,304,630	
Inactives		<u>3,303,620</u>	
			\$ 373,777,974
Contingency Reserve — Investments			\$ 2,243,175
Present Value of Benefits Now Payable to:			
Service Retirants	\$	59,607,167	
Disability Retirants		707,260	
Survivor		<u>759,365</u>	
			\$ 61,073,792
Total Present and Potential Liabilities			<u>\$ 437,094,941</u>

Present Assets and Actuarial Liabilities



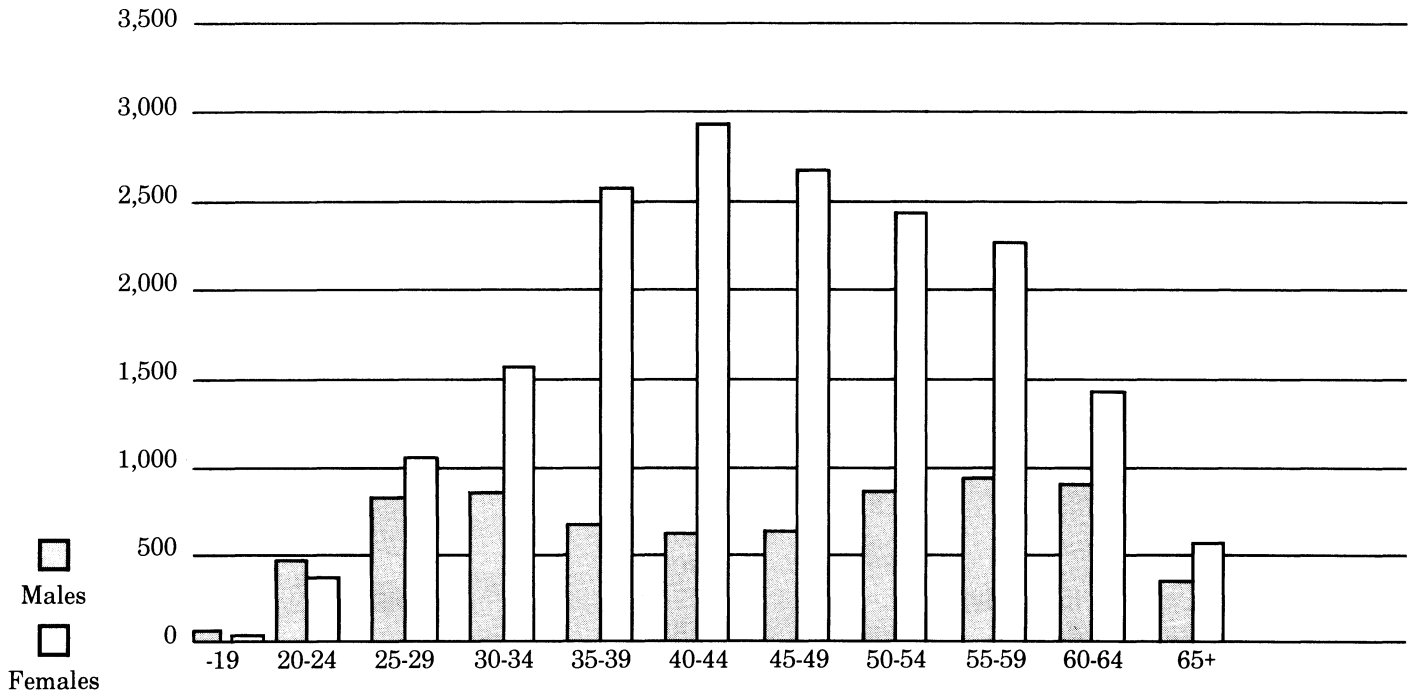
Summary of Changes in Membership During 1985-86

	Male	Female	Total
Active-Inactive Members 7/1/85	7,425	18,559	25,984
New Membership 7/1/85 to 6/30/86	1,313	2,715	4,028
Total Membership before Decreases	8,738	21,274	30,012
Decreases:			
Service Retirements	217	400	617
Disability Retirements	8	13	21
Withdrawals	1,099	2,343	3,442
Deaths	34	20	54
Terminations Not Processed	109	142	251
Previous Terminations Processed	(120)	(147)	(267)
Subtotal	1,347	2,771	4,118
Net Membership 6/30/86	7,391	18,503	25,894
(includes "Inactive Members")			

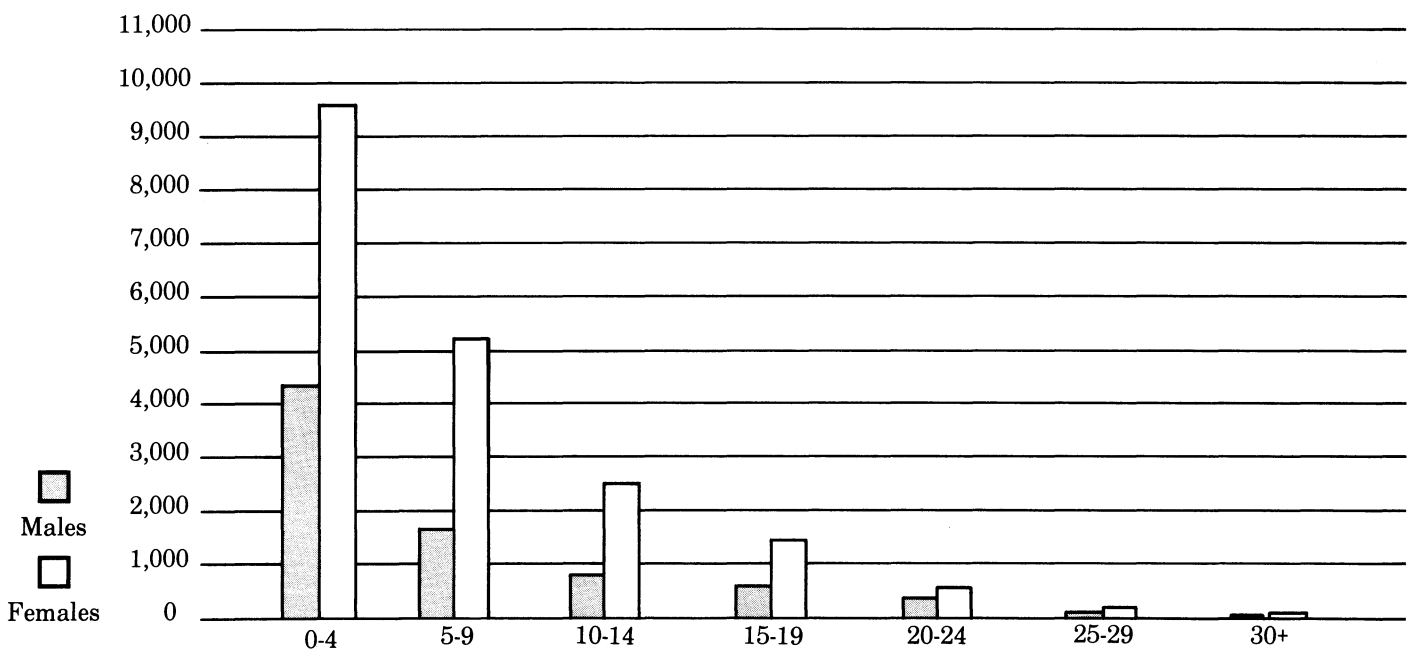
ACTIVE MEMBERSHIP

June 30, 1986

Distribution of Members by Age



Distribution of Members By Years of Service*



*In computing years of service, a year of prior service credit counts as one-half year.

SERVICE RETIREMENTS

NEW SERVICE RETIREMENT BENEFITS 1985-86

Years of Creditable Service	Number Retiring			Final Average Salary	Average Benefit
	Males	Females	Total		
5-9	72	100	172	\$ 806.47	\$ 70.63
10-14	67	150	217	891.71	127.82
15-19	37	88	125	972.72	187.27
20-24	24	40	64	1,046.99	244.96
25-29	11	17	28	1,073.54	284.67
30+	6	5	11	1,425.73	454.66
TOTALS	217	400	617	\$ 918.24	\$149.01

CHANGES IN RETIRED MEMBERSHIP DURING 1985-86

	Service Retirements			Disability Retirements		
	Male	Female	Total	Male	Female	Total
Retired Members, 7/1/85	2,457	3,763	6,220	55	52	107
Retired During Year	217	400	617	8	13	21
Died During Year	158	70	228	8	3	11
Resumed Working During Year	6	7	13	0	0	0
Retired After Resuming Work	7	8	15	0	0	0
Retired Members 6/30/86	2,517	4,094	6,611	55	62	117

SERVICE RETIREMENT BENEFIT HISTORY

Year Ending June 30	New Service Retirants	Average New Benefit	% Increase From Previous Year
1967	344	\$ 7.20	—
1968	220	\$ 8.05	12
1969	226	\$ 8.15	1
1970	298	\$ 16.18	99
1971	324	\$ 18.60	15
1972	363	\$ 20.48	10
1973	414	\$ 22.69	11
1974	443	\$ 28.30	25
1975	446	\$ 31.71	12
1976	431	\$ 35.24	11
1977	419	\$ 41.64	18
1978	549	\$ 52.66	26
1979	436	\$ 61.94	18
1980	445	\$ 65.86	6
1981	427	\$ 77.77	18
1982	552	\$ 87.44	12
1983	552	\$101.40	16
1984	441	\$115.00	13
1985	561	\$128.14	11
1986	617	\$149.01	16

